

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF IOWA
DAVENPORT DIVISION

UNITED STATES OF AMERICA,)	
)	Case No. 3:11-cv-116-TEG-TJS
Plaintiff,)	
)	
v.)	
)	
JAMES L. WATTS, et al.,)	
)	
Defendants.)	
_____)	

DECLARATION OF IRS REVENUE OFFICER BRENT ZAEHRINGER

I, Brent Zaehring, declare and state:

1. I am employed as a Revenue Officer with the Internal Revenue Service (“IRS”), and have a post of duty in Davenport, Iowa.
2. In my capacity as a Revenue Officer, my responsibilities include, among other things, collecting delinquent tax liabilities and performing duties associated with collecting delinquent tax liabilities, including examining records on file with the IRS and assisting the IRS Office of Chief Counsel and the Department of Justice in tax matters.
3. As part of my duties as a Revenue Officer, I was assigned to assist in the collection of federal employment and unemployment taxes of James L. Watts and his businesses, including County Waste Systems Inc., Cedar Valley Recycling & Transfer, Blackhawk Waste Disposal Inc., A-1 Disposal Service Inc., and Hawkeye Waste Systems Inc. (the “Business Entities”). I was also assigned to monitor their compliance with federal tax laws. Accordingly, I am familiar with the facts set forth below.

4. Because of my training and experience as a Revenue Officer, I am also familiar with the IRS's computer system for storing and tracking information about taxpayers' accounts. That computer system is called the Integrated Data Retrieval System ("IDRS"). As transactions (such as assessments or payments) occur on a taxpayer's account for a particular tax period, the transactions are electronically recorded in IDRS. The IDRS entries are made automatically in some cases. If they are made manually, IRS policy requires them to be made by, or at the direction of, a person who has personal knowledge of the transaction being recorded at or near the time of the acts or events described by the records. IDRS records are created and maintained in the regular course of IRS business.

5. IDRS has different computer command codes, that enable the user to perform different calculations and display return information as the IRS requires. I use IDRS for various functions, including monitoring compliance.

6. On March 19, 2024, as part of my official duties, I accessed the IDRS accounts of Watts and the Business Entities to determine if they were compliant with filing and paying their respective employment and unemployment taxes.

7. One way to monitor compliance is by accessing and reviewing transcripts of accounts. Account transcripts are created when an IRS employee queries the IDRS to determine the taxpayer's account for the relevant period. In other words, an account transcript is a way for the IRS to show information contained on the IDRS at the time the account transcript is created. Account transcripts accurately reflect the type and amount of tax assessed, payments made, or credits applied toward the assessed tax liability, and certain other information relevant to the taxpayer's account for a specified tax period,

including whether the taxpayer has filed a tax return. The information on IDRS, as well as any account transcripts generated, are kept in the ordinary course of the IRS's regularly conducted activities, and it is the regular practice of the IRS to maintain such information and any account transcripts.

8. Specifically, I reviewed the account transcripts for all five Business Entities looking for compliance in filing and paying federal employment taxes (Forms 941) and unemployment taxes (Forms 940).

9. Attached as **Exhibit A** to this declaration are the true and correct account transcripts, as of March 19, 2024, for County Waste Systems Inc.'s 1) employment tax periods ending September 30, 2020, June 30, 2021, September 30, 2021, December 31, 2021, March 31, 2022, and June 30, 2022, and 2) unemployment tax periods ending December 31, 2020, and December 31, 2021.

10. The account transcripts labeled as Exhibit A and described in paragraph 9 above show the following information:

<u>Tax Form</u>	<u>Tax Period</u>	<u>Self-Reported Tax Amount</u>	<u>Balance on 3/19/2024</u>	<u>Late Filing Penalty?</u>	<u>Late Payment/Deposit Penalty?</u>
941	09/30/2020	\$40,002.27	\$9,371.79	No	Yes
941	06/30/2021	\$36,819.00	\$32,315.92	No	Yes
941	09/30/2021	\$37,021.38	\$32,739.71	No	Yes
941	12/31/2021	\$37,054.82	\$63,180.31	Yes	Yes
941	03/31/2022	\$28,926.46	\$48,516.16	Yes	Yes
941	06/30/2022	\$33,165.53	\$47,540.45	Yes	Yes
940	12/31/2020	\$815.60	\$1,169.36	No	Yes
940	12/31/2021	\$1,038.80	\$1,603.00	Yes	Yes

11. Attached as **Exhibit B** to this declaration are the true and correct account transcripts, as of March 19, 2024, for Cedar Valley Recycling & Transfer's 1) employment tax periods ending March 31, 2020, September 30, 2020, December 31, 2020, December 31, 2021, March 31, 2022, and June 30, 2022, and 2) unemployment tax periods ending December 31, 2020, and December 31, 2021.

12. The account transcripts labeled as Exhibit B and described in paragraph 11 above show the following information:

<u>Tax Form</u>	<u>Tax Period</u>	<u>Self-Reported Tax Amount</u>	<u>Balance on 3/19/2024</u>	<u>Late Filing Penalty?</u>	<u>Late Payment/Deposit Penalty?</u>
941	03/31/2020	\$37,876.05	\$32,441.21	No	Yes
941	09/30/2020	\$42,734.38	\$9,808.46	No	Yes
941	12/31/2020	\$44,820.57	\$34,688.71	No	Yes
941	12/31/2021	\$47,096.13	\$80,301.26	Yes	Yes
941	03/31/2022	\$42,887.32	\$71,931.68	Yes	Yes
941	06/30/2022	\$43,890.90	\$62,914.48	Yes	Yes
940	12/31/2020	\$992.81	\$1,423.43	No	Yes
940	12/31/2021	\$1,247.76	\$1,925.31	Yes	Yes

13. Attached as **Exhibit C** to this declaration are the true and correct account transcripts, as of March 19, 2024, for Blackhawk Waste Disposal Inc.'s 1) employment tax periods ending June 30, 2021, December 31, 2021, March 31, 2022, and June 30, 2022, and 2) unemployment tax period ending December 31, 2021.

14. The account transcripts labeled as Exhibit C and described in paragraph 13 above show the following information:

<u>Tax Form</u>	<u>Tax Period</u>	<u>Self-Reported Tax Amount</u>	<u>Balance on 3/19/2024</u>	<u>Late Filing Penalty?</u>	<u>Late Payment/Deposit Penalty?</u>
941	06/30/2021	\$126,125.00	\$156,365.83	No	Yes
941	12/31/2021	\$137,060.67	\$237,954.09	Yes	Yes
941	03/31/2022	\$125,351.25	\$213,992.29	Yes	Yes
941	06/30/2022	\$126,041.95	\$183,922.08	Yes	Yes
940	12/31/2021	\$3,497.70	\$5,985.99	Yes	Yes

15. Attached as **Exhibit D** to this declaration are the true and correct account transcripts, as of March 19, 2024, for A-1 Disposal Service Inc.'s employment tax periods ending December 31, 2021, March 31, 2022, and June 30, 2022.

16. The account transcripts labeled as Exhibit D and described in paragraph 15 above show the following information:

<u>Tax Form</u>	<u>Tax Period</u>	<u>Self-Reported Tax Amount</u>	<u>Balance on 3/19/2024</u>	<u>Late Filing Penalty?</u>	<u>Late Payment/Deposit Penalty?</u>
941	12/31/2021	\$83,778.36	\$138,442.81	Yes	Yes
941	03/31/2022	\$63,858.67	\$107,105.37	Yes	Yes
941	06/30/2022	\$71,503.68	\$102,495.47	Yes	Yes

17. Attached as **Exhibit E** to this declaration are the true and correct account transcripts, as of March 19, 2024, for Hawkeye Waste Systems Inc.'s employment tax periods ending December 31, 2021, March 31, 2022, and June 30, 2022.

18. The account transcripts labeled as Exhibit E and described in paragraph 17 above show the following information:

<u>Tax Form</u>	<u>Tax Period</u>	<u>Self-Reported Tax Amount</u>	<u>Balance on 3/19/2024</u>	<u>Late Filing Penalty?</u>	<u>Late Payment/Deposit Penalty?</u>
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941	12/31/2021	\$25,623.78	\$43,689.81	Yes	Yes
941	03/31/2022	\$23,508.74	\$39,429.47	Yes	Yes
941	06/30/2022	\$24,009.14	\$34,415.41	Yes	Yes

19. The balance (as of March 19, 2024) shown on the transcripts marked as Exhibits A, B, C, D, and E totals \$1,795,669.86.

20. My review of IDRS also shows that, as of March 19, 2024, the most recent self-reported Form 941 filed by any Business Entity was for the tax period ending June 30, 2022.

21. According to the Forms 941 described in paragraph 20 above, the Business Entities paid the following number of employee wages:

<u>Business Entity</u>	<u>Number of Employees Reported on Form 941 for tax period ending June 30, 2022</u>
County Waste Systems Inc.	13
Cedar Valley Recycling & Transfer	12
Blackhawk Waste Disposal Inc.	37
A-1 Disposal Service Inc.	25
Hawkeye Waste Systems Inc.	10
TOTAL	97

22. IDRS also shows that the following tax returns have yet to be received by the Service:

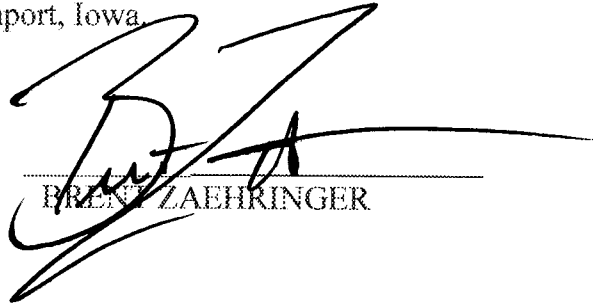
<u>Entity</u>	<u>Tax Form</u>	<u>Tax Periods</u>
County Waste Systems Inc.	941	March 31, 2021
		September 30, 2022
		December 31, 2022
		March 31, 2023
		June 30, 2023
		September 30, 2023
		December 31, 2023

	940	December 31, 2022
		December 31, 2023
Cedar Valley Recycling & Transfer	941	March 31, 2021
		September 30, 2022
		December 31, 2022
		March 31, 2023
		June 30, 2023
		September 30, 2023
		December 31, 2023
	940	December 31, 2022
		December 31, 2023
Blackhawk Waste Disposal Inc.	941	March 31, 2021
		September 30, 2022
		December 31, 2022
		March 31, 2023
		June 30, 2023
		September 30, 2023
		December 31, 2023
	940	December 31, 2022
		December 31, 2023
A-1 Disposal Service Inc.	941	March 31, 2021
		September 30, 2022
		December 31, 2022
		March 31, 2023
		June 30, 2023
		September 30, 2023
		December 31, 2023
	940	December 31, 2022
		December 31, 2023
Hawkeye Waste Systems Inc.	941	March 31, 2021
		September 30, 2022
		December 31, 2022
		March 31, 2023
		June 30, 2023
		September 30, 2023
		December 31, 2023
	940	December 31, 2022
		December 31, 2023

23. Moreover, the Service has not received any payments toward the unfilled tax returns listed in paragraph 22 above.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on: April 30, 2024, in Davenport, Iowa.



BRENT ZAEHRINGER